BARAC CAPITAL MANAGEMENT, LLC

July 1, 2013

Dear All,

This is the second regular quarterly report to provide updates on the Fund's performance. The Partnership's fund administrator, Fund Associates, LLC, is also generating monthly investment reports for each Partner, by directly and independently accessing the Funds electronic brokerage data.

For the three-months ending June 30, 2013, The Barac Value Fund L.P. (the "Fund" or "Partnership") delivered returns of 2.28% (after deducting fees and expenses) versus a return of 0.81% for the benchmark[1], resulting in relative outperformance of approximately 147 basis points or 1.47%.

Since the Partnership's inception (on July 14, 2011), the Fund has returned 23.29% (after deducting fees and expenses) versus a return of 18.74% for the benchmark, resulting in relative outperformance of approximately 455 basis points or 4.55%.

	Barac Value Fund Returns		60% S&P TR/
	Gross %	Net %	40% Barclay's Agg.
2011*	(4.43)	(5.08)	(0.39)
2012	19.69	17.87	11.31
Year-to-date:	11.04	10.20	7.10
Q2 2013	2.66	2.28	0.81
Since inception:	27.01	23.29	18.74
Annualized:	12.93	11.23	9.13

*2011 Performance is from July 14th, 2011 to year end 2011

†The net results reflect the deduction of: (i) an annual asset management fee of 1.5%, accrued monthly; (ii) transaction fees and other expenses incurred.

Q2 figures are preliminary and have not been verified by the fund administrator.

PAST PERFORMANCE IS NO INDICATION OF FUTURE RESULTS.

[1] See appendix for details on the benchmark and the underlying comparative methodology.

Performance Commentary

For the recent quarter ending June 30, 2013, returns for the Fund exceeded the benchmark by 185 basis points (or 1.85%) on a gross basis and 147 basis points (or 1.47%) on a net basis after fees. Outperformance for the quarter was primarily driven by the Fund's asset allocation decisions.

As discussed in the prior quarterly report, the Fund entered into the second quarter with an overweight position in stocks and an underweight position in bonds. In fact, the Fund had a zero allocation to bonds throughout the quarter. With the equity market index up 2.9% and the bond market index down 2.3%[2], for the quarter, this allocation mix performed well over the period. The Fund also benefitted from having no exposure to gold and the other commodities which fared so poorly over recent months.

While the Fund's performance has significantly exceeded that of its benchmark, it should also be highlighted that the Partnership's returns have been generated using a relatively conservative strategy that emphasizes capital preservation and the mitigation of down-side risks. As with the evaluation of any investment's performance, one needs to look not just at the returns generated but also at the risks taken to generate those returns.

With regard to risk management, the Fund does not use leverage, short stocks, or use derivatives and a considerable focus is put on credit and general risk analysis to determine risk/reward and the appropriate sizing of positions. The Fund further controls risk by limiting exposure to any individual security. At the end of the quarter, the Fund held 27 individual stock positions (the largest comprising less than 4% of asset under management) with the rest of the Partnership's equity exposure comprised of diversified ETFs.

I continue to "put my money where my mouth is" and have most of my net worth invested in the Fund. As opposed to a performance fee structure, I believe that a fund manager's investment in their own fund is the best way to align the interest of investors with the fund manager while also allowing for investors to keep a larger share of the returns (which can have a substantial impact on net returns; particularly when compounded over time).

I also believe that the substantial fee structure of hedge-funds (often 2% of capital and 20% of profits) can misalign the interest of investors and fund managers -- as the latter may feel that excessive risks need to be taken to deliver returns that can cover their high fees and also provide a reasonable return to investors. Also notable is the conflict of interest resulting from the fact that the fund manager, under the high performance fee structures, will get paid high fees on the upside (regardless of the risks taken to achieve those returns) but doesn't need to give anything back in the event of losses.

The Forward View

While interest rates increased significantly over the recent quarter (with 10-year Treasury yields increasing 63 basis points from 1.85% to 2.48%), I continue to view Treasury and other high-grade bonds as unattractive. I believe that a nominal yield of 2.48% still does not adequately compensate investors for inflation and interest rate risks and I continue to believe that high-grade bonds remain particularly unattractive relative to stocks. Furthermore, with 10-year Treasuries still yielding less than 2.5%, at the end of the quarter, the opportunity cost of sitting on the sidelines remains limited.

[2] As measured by the S&P 500 total return index (including dividends) for stocks and the Barclay's U.S. Aggregate index for bonds.

While I still view Treasury bonds as unattractive, there are areas within fixed-income market which are approaching levels where I feel they may offer some value. Specifically, the combination of increased "risk-free" rates and widened credit spreads has caused yields on high-yield corporate bonds to increase considerably. While still not at a level that would entice me to buy, I will continue to closely monitor developments within the high-yield and other fixed-income markets to determine whether any further sell-off could justify a re-entry into some sub-sector of the fixed-income asset class.

With respect to stocks, I continue to believe that earning's multiples and yields remain attractive relative to immediate and longer-term earning's growth expectations. Furthermore, I believe that stocks currently provide substantially more long-term upside potential and inherent inflation protection relative to bonds. As someone who has spent much of their career bearish/negative on stocks, while many were positive, it's a bit strange to be on the other side of market sentiment; however, I firmly believe that stocks offer the best long-term value in today's investment environment.

While the Fund had no fixed-income exposure at the end of the quarter, I continued to maintain a substantial cash balance for the purpose of diversification, reducing volatility, and providing option value in the event of a subsequent pull-back in the equity market and/or a substantial increase in bond yields. At the end of the most recent quarter, cash comprised approximately 17% of the Fund's assets. This is down from 24%, at the end of the prior quarter, as I used the recent pullback in the equity market as an opportunity to add equity exposure at more attractive valuations.

The cash buffer may gradually rise again if and when stocks rise such that valuations become less compelling and resultant downside risks increase. Conversely, another equity sell-off, taking valuation levels below the recent lows, could warrant a gradual further increase in the Fund's equity exposure. Ultimately, I expect that the Fund's cash balance will be much smaller and the non-equity portion of the portfolio will be more heavily invested in interest generating fixed-income assets to the extent that yields on those assets increase to levels sufficient to warrant such a reallocation.

Of course, none of these investment decisions will be made in a vacuum and any investment decision will incorporate not only price levels and valuations, but also the corresponding news-flow and data that caused the market movements and a resultant determination as to whether or not the magnitude of the price changes were appropriate. Furthermore, a focus will remain on individual security selections in addition to the allocation decisions for the different asset classes as a whole.

Thanks to everyone for you interest and support and please let me know if there are any questions you may have that I have not answered. The next quarterly report will be for the quarter ending September 30, 2013 and the next subscription period for the Fund will be July 31st.

Sincerely,

Ted Barac
Managing Member of Barac Capital Management, LLC

Appendix:

About The Benchmark

As a multi-asset fund whose objective is to seek investment opportunities across different asset classes (e.g. stocks, bonds, etc.), the benchmark used for the Fund is a mix of 60% attributed to the S&P 500 index (including dividends paid) and 40% attributed to the Barclays aggregate bond index. The S&P 500 is a commonly used index of 500 U.S. large capitalization stocks while the Barclays aggregate index is a commonly used index of U.S. high-grade bonds.

The reason for using this specific benchmark is because it is comprised of two very commonly followed indexes for the two major investment classes (stocks and bonds) in the 60%/40% ratio mix, which has been a common allocation ratio recommended for long-term investors. In addition, both of these indexes can be easily purchased through low-fee and highly-liquid index funds, providing an easy alternative for investors. Long-term outperformance versus these indexes is necessary to justify an investment in the Fund and, therefore, this is the yardstick to which the Fund will be compared.

To be clear, the benchmark is chosen only to provide an easy and simplistic comparison to how one's investments might have performed if invested in low-fee index funds allocated in the commonly prescribed mix of 60%/40% (equities/bonds). The Fund does not endorse or make any attempt to follow such an allocation and in periods when I view equities as substantially over-valued, the equity allocation may be much less than 60% and vice-versa. In addition, the Fund will also hold other asset classes, outside the scope of the benchmark, which may include cash, small-cap. equities, foreign equities, and high-yield bonds, among others. Overall, the investment strategy of the Fund is about finding the best value across different asset classes and geographies while sizing positions to best optimize risk/reward.